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The Farmer Mac Almanac communicates important upcoming events and announcements to agricultural lenders. You can receive answers to your questions about Farmer Mac by calling 800-879-3276, accessing the [Quick Tip Videos](#) through a link on the homepage of the Farmer Mac website or via opportunities@farmermac.com.

Upcoming Events for Farmer Mac

July 21-22: New York Bankers Association Northeast Agribusiness Seminar; Geneva, NY

Aug. 22: Farmer Mac DC Office Move*

Aug. 24-25: Illinois Bankers Association Ag Banking Conference, Springfield, IL

Sept. 12-15: Missouri Independent Bankers Association Annual Convention and Exhibition; Lake Ozark, MO

*Farmer Mac Will Have a New Address on August 22

After ten years in our current location, Farmer Mac is moving its corporate offices in Washington, DC, to a building just a couple of blocks from its current address. Beginning Monday, August 22, Farmer Mac's DC-based staff will be working at the new location. While the street address and zip code is new, the web and email addresses and telephone and fax numbers will remain unchanged. Farmer Mac's new address will be 1999 K Street, N.W., 4th Floor, Washington, DC 20006.

To minimize any potential disruption in services, the bulk of the move will take place during the weekend, although it is anticipated that communication with the DC staff will be somewhat limited on Friday, August 19. The rate lock desk will not be open on that Friday. The Johnston, Iowa, office is not affected by this move and will be responding to the telephones and email during normal business hours during the period of time when the move is taking place.

Dave's GPS

Keep Up with Dr. David Kohl through Farmer Mac

With the agricultural economy faring well in comparison to the residential and commercial sectors, Dr. Kohl suggests ag lenders take time to pause and observe the effects of the global financial crisis on those two sectors. They will see that macro-economic volatility can turn an industry's underwriting standards "upside down" very quickly. With the ag lending environment at the "top of the cycle," "Dave's GPS" highlights seven of the underwriting standards that will be critical in evaluating risk in the future.

A well known and respected leader in the world of agricultural finance, Dr. Kohl is adept at recognizing trends in the world of ag lending. Along with "Dave's GPS,"



*Dr. David Kohl: Professor Emeritus
Virginia Tech University*

Farmer Mac I Cash Window and Credit Corner

Dr. Kohl also provides a bi-monthly **“Dashboard”** (Lender and Business Dashboard Economic Indicator Assessment). His ten red, yellow and green signals assigned to key economic indicators provide an easy format to help readers reach their own conclusions about the strength and future of the U.S. economy. This month, one of his key indicators moves from green to yellow.

Dr. David Kohl is Professor Emeritus in the Department of Agricultural and Applied Economics at Virginia Tech University in Blacksburg, VA. Prior to his current position at the university, Dr. Kohl served as Professor of Agricultural Finance and Small Business Management and Entrepreneurship for 25 years.

View Online: [Dave's GPS](#)

Appraisals Take Center Stage with Several Significant Announcements

When it comes to collateral valuations, Farmer Mac's objective is to reasonably ensure Sellers obtain candid, impartial and reliable information about the property that serves as security for Farmer Mac I loans. Three important aspects of property valuation have recently changed:

- **Evaluations:** Sellers are reminded that Farmer Mac no longer accepts collateral valuations performed by an evaluator. Volatility in land values in many markets prompted the change which went into effect July 1. Farmer Mac recognizes the importance of relying on the opinion of licensed and certified general appraisers who monitor land values each and every day.
- **Farmer Mac Form 1027A Appraisal Report Content Requirements:** The form has been edited and it sports a new name, Appraisal Report Content Requirements (formerly Appraisal Assignment Requirements). It now functions solely as a checklist for Farmer Mac appraisal requirements. (Appraisers no longer need to indicate where in the report each appraisal requirement was addressed.) As a checklist, the form is an excellent resource not only for appraisers planning the appraisal itself but also for Sellers when they review the finished report. Form 1027A is now integrated into AgPower® LOS accompanying Form 1023A, Sample Fee Appraiser Engagement Letter.
- **The newly streamlined Farmer Mac Sample Fee Appraiser Engagement Letter Form 1023A** (as announced in the May 2011 Farmer Mac Almanac) has now been integrated into AgPower® LOS. Form 1023A is the preferred engagement form to be used by Sellers for Farmer Mac I Farm and Ranch Program loans. The form can now be obtained in two ways:
 - **Through AgPower® LOS:** Once the loan receives underwriter approval, the transfer of pertinent customer data downloads into the Form 1023A Engagement letter. Users access the form by clicking on the “Documents” in the Application Queue. As a help to the appraiser, Form 1027A Appraisal Report Content Requirements is attached to the Engagement Letter to provide a checklist of the content required in their appraisal report.

- Through the Farmer Mac website's Collateral Valuation section.

The Farmer Mac Seller/Servicer Guide and Collateral Valuation Supplement Have Been Updated

The Farmer Mac Seller/Servicer Guide and the Collateral Valuation Supplement have been revised as outlined below. The guide and its supplement can be found in the secure area of the Farmer Mac website.

- Several chapters in the Farmer Mac Seller/Servicer Guide and Collateral Valuation (CV) Supplement have been edited to reflect dropping evaluations as a Farmer Mac collateral valuation option: Chapters 207.3 Loan Purpose 5.d; 207.5; 207.6 under Fast Track II #7; 209.3 Loan Security; 301.2; 401.8 Collateral Valuation; 403.9. Chapter CV101 has received numerous edits throughout the chapter.
- Chapter 206.1 of the Farmer Mac Seller/Servicer Guide was edited to reference the fact that Farmer Mac I Sellers have the option of having a documentation preparation service prepare loan documents.
- Part 4 of the Farmer Mac Seller/Servicer Guide has been edited to reflect changes for Central Servicers in their duties to service certain Farmer Mac Qualified Loans.
- Farmer Mac Seller/Servicer Guide CV Supplement Chapter CV201.1A and B has been revised to provide additional collateral valuation guidance both for routine servicing actions as well as for servicing distressed loans.
- Farmer Mac Forms 1023A and 1027A have been revised to reflect the changes as announced in the previous story ("Appraisals Take Center Stage with Several Significant Announcements") and also in the Farmer Mac Almanac published in May, 2011 (Volume 23).
- Farmer Mac Form 1037 was changed to delete reference to evaluations.
- The Farmer Mac Form 1047 Collateral Assessment Report (CAR) has been edited to include the request for value trends in the market area of the property.
- The Fixed Rate Mortgage Farm and Ranch Loan Program (formerly Full-Time Farm Loan Program) description has been edited to delete the reference to prepayment penalty options and to add the maximum conversion fee of \$5000.

Sellers Are Encouraged to Nominate Appraisers for Farmer Mac Preferred Appraiser List

Need an appraiser? Farmer Mac's Preferred Appraiser List (PAL) may be of help. The list, available in the secure area of the Farmer Mac website, is designed for institutions seeking assistance in finding fee appraisers with Farmer Mac experience and/or training.

By understanding Farmer Mac's appraisal expectations, experienced appraisers save Sellers time and help them avoid unnecessary costs by knowing the appropriate

scope of work required. Fewer call-backs and revisions keep the process hassle-free. Collateral valuations obtained from a PAL appraiser do not require the same level of review and acceptance due diligence as is expected when the collateral valuation service is obtained from other sources.

The PAL has been growing ever since it was first introduced in 2004 and now includes over 100 “certified general” appraisers from approximately 30 states. The states with the highest representation are California, Minnesota, Virginia, Oregon and Iowa. “Certified residential” appraisers are also listed in the system; however these appraisers are limited to assignments where the majority of the value of the loan’s security is in the applicant’s rural residence.

Farmer Mac wants to grow the list with ample representation across all states. Listing is attained only by nomination by a Farmer Mac underwriter, Central Servicer or a Seller.

Sellers are encouraged to nominate appraisers by emailing their names to Farmer Mac underwriters at famcunderwriting@farmermac.com. Please include a brief summary of your experience with the appraiser’s work and the appraiser’s contact information along with copies of his/her resume and state certificate. Sample appraisals are not accepted. Following nomination, the appraiser will be contacted by Farmer Mac and asked to participate in a telephone workshop to review Farmer Mac requirements.

How to use the Farmer Mac PAL: The PAL resides in the secure area of the Farmer Mac website. Sellers may select appraisers according to several criteria, typically by servicing area. Once an appraiser’s name is found, Sellers will find they can view the appraiser’s contact information and helpful data such as state licensing, type of certification and expertise as to property type. Sellers are reminded that appraisers who list servicing areas outside of states where they are licensed may be able to serve those areas by obtaining a temporary license from the applicable state.

Texas Homestead Laws Limit Use of AgEquity Revolving Line of Credit in Texas

Homestead laws currently in effect in Texas restrict Farmer Mac from offering the AgEquity Revolving Line of Credit to entities in Texas where the secured property is owned by an individual(s). Because the laws don’t apply to corporate-owned property, the product is available to established corporations or LLCs in the state.

The AgEquity is a multi-year revolving line of credit loan secured by a first mortgage on eligible ag real estate. Borrowers have access to available funds and can borrow and repay funds as often as they like prior to the end of the 5- or 10-year draw period during which semi-annual interest-only payments are due on January 1 and July 1. The loans are underwritten as though fully disbursed and are held to more stringent ratios that reflect the proven financial management this product demands. Funds must be used for business purposes.

The product offers a low rate and the flexibility for the borrower to have ready access to funds to take advantage of future opportunities.

Alliance Update

Citizens State Bank Norwood Young America Highlights Its “Farmer Mac Approved Lender” Status

A bank in southern Minnesota has woven the words “Farmer Mac” into its various communication vehicles including its website, telephone “on-hold” messaging, newspaper ads and quarterly newsletter.

Having used both Farmer Mac’s Cash Window and Long-Term Standby Purchase Commitment Program (LTSPC), the bank is very familiar with the benefits of working with Farmer Mac. Recognizing the numerous advantages that its relationship with Farmer Mac has provided to the bank (by addressing liquidity and capital among others) as well as the bank’s farm customers, ag lending officer Jason Winter and other bank employees decided it was time to leverage those competitive advantages through various communications.

The bank that is promoting its Farmer Mac advantage is in Norwood Young America, Minnesota, a semi-rural community on the outskirts of the Minneapolis/St. Paul metropolitan area. The town numbers over 3,500 in population and as its name implies, was once two communities that merged.

Citizens State Bank is a family-owned bank that dates back to 1914 with a proud history of serving local farm customers. With over \$20 million of its \$66 million loan volume in farm loans (farm real estate and farm operating loans), the \$85 million asset institution qualifies under the FDIC’s definition of an “agricultural bank.”

According to Jason, the bank’s message is clear: “As a Farmer Mac approved lender, Citizens State Bank is able to offer long-term fixed rate mortgage loans up to 20 years. We have the best of both worlds. We are a community bank with a local focus, but through Farmer Mac’s loan programs, we can deliver products and terms that are on par with the best that can be found anywhere in the nation.”

Citizens State Bank enjoys the product discounts it receives from being a member of both the American Bankers Association (ABA) and Independent Community Bankers of America (ICBA).

Education Center

Farmer Mac Road Shows Slated for September

The positive feedback received from the 700+ attendees of last year’s 24 Farmer Mac Road Shows is playing an important role as plans are being put in place for the 2011 fall series. The dates and sites for the half-day presentations are still being finalized but those targeting the Midwest and plains states will likely be held during the second, third and fourth weeks of September; sessions in additional states will be offered later in the fall.

In addition to the timely discussions about ag credit in general and Farmer Mac in particular, attendees will find these sessions to be an excellent opportunity to meet Farmer Mac staff and to visit with other farm lenders in their area.

Farmer Mac Financial News

Regulators Warn Farm Banks to Establish Appropriate Capital Plans

Communications from bank regulators about portfolio concentrations have received the attention of ag bankers in recent weeks and months. It began last December when the FDIC issued an updated guidance letter to lenders that conveyed the agency's concern about portfolio concentrations. This was prompted by the well documented problems with commercial real estate loans, but the agency's concerns extend to farm lending as well.

Then, in the April 15, 2011 "Agricultural Banking and Market Condition" newsletter, the Federal Reserve Bank of Kansas City warned: "Banks with exposure to agricultural loans should be establishing appropriate capital plans and ensuring the necessary reserves for loan losses are in place to properly account for exposures to unforeseen declines in farm income and farmland values." Special mention was made of "highly concentrated agricultural banks" defined as agricultural banks having farm production and farm real estate loans equaling 300 percent or more of total capital."

Farmer Mac can help in two ways. First, both newly originated and seasoned farmland loans are purchased on a daily basis. Selling loans to Farmer Mac allows the lender to transfer both the interest rate risk and credit risk to Farmer Mac, freeing up capital for other purposes. Second, Sellers are reminded that Farmer Mac's Long-Term Standby Purchase Commitment Program (LTSPC) is a tool that may allow banks to reduce the risk-weighting on the farmland loans from 100% to as little as 20%. The LTSPC is a purchase commitment placed on a pool of the bank's qualified agricultural real estate loans. The loans remain in the pool until they pay off and, while there, are subject to a commitment by Farmer Mac to purchase a loan out of that pool at par if it becomes 90 days delinquent. Call the Farmer Mac Marketing Team for more information.

Farmer Mac II

Lenders with Sold Guarantees Are Encouraged to Contact Farmer Mac II LLC Prior to Implementing any Servicing Action

From time to time, a farmer whose USDA FSA guarantee has been sold to Farmer Mac II LLC experiences financial difficulty or faces default. As lenders respond to those situations, they are encouraged to contact Farmer Mac II personnel. Many servicing requests can be accommodated and are routinely approved, allowing the customer to continue to benefit from the favorable terms offered by the secondary market.

Lenders who sell the guaranteed portions of USDA guaranteed loans are reminded that the USDA limits repurchase of guarantees to the following conditions (per USDA Assignment of Guarantee Form FSA-2242):

*If the borrower's ability to remain in business is **directly dependent upon a change in the provisions relating to the borrower's installment payments**, the Government may permit the lender to repurchase the guaranteed interest from the holder if all of the following conditions exist:*

- *Lender has submitted a written request to Government for concurrence providing justification for repurchase.*
- *The change in terms and conditions are to the borrower's benefit.*
- *The lender must change the loan terms and conditions if repurchased.*

USDA Website Updates Funding Availability for Various Programs

With the September 30 end of the USDA's fiscal year just two months away, Sellers may be wondering about the funding level of the various Farm Service Agency (FSA) programs. Those levels may be checked out at the USDA website: www.fsa.usda.gov/FSA. Select Farm Loan Programs and then Funding.

Each year Congress appropriates money for FSA farm loans as part of the USDA budget. States are allocated money from the FSA based on the number of farmers in each state, the value of farm assets, and net farm income. Towards the end of the fiscal year, funding may not be available at various locations either because the total money appropriated by Congress did not meet the demand or because some states depleted their allocated funds faster than others. By pooling, FSA is often able to move money from areas where it is not being used to areas where it is needed.

In spite of the various remedies available, funding for some programs in certain states may be running low at this time. Even when money has run out for a loan program, FSA still accepts, processes and approves loan applications. Approved loans are held until money becomes available. Loans are funded in date order, based on the date when the application was received. Submitting an application sets the place in line so it is to the advantage of the lender to apply for a loan even when there is no money available.